UNITED
NATIONS

DP

Governing Council
of the
United Nations
Development Programme

Distr.
GENERAL

DP/1991/23
13 May 1991

ORIGINAL: ENGLISH

Thirty-eighth session
3-21 June 1991
Item 4 (c) of the provisional agenda

PROGRAMME IMPLEMENTATION

IMPLEMENTATION OF DECISIONS ADOPTED BY THE GOVERNING COUNCIL AT ITS PREVIOUS SESSIONS

National execution

Report of the Administration

SUMMARY

The present report responds to requirements set out in Governing Council decision 90/21 of 22 June 1990, in which the Council requested the Administrator to submit proposals for assisting recipient Governments to build up their programme management and administrative capacities. In preparing his response, the Administrator has consulted Governments and the United Nations specialized agencies. He has been mindful of the requirements of the implications of the growth of the modality.

The present report briefly reviews existing legislation, derives a coherent policy framework and outlines proposals for action. Some of the proposals are part of UNDP ongoing activities. Others will need more specific development. The proposals reflect the legislative mandates of General Assembly resolution 44/211 of 22 December 1989. The directives to be considered include: (a) the pursuit of national execution as the ultimate modality; (b) the strong observation of the Administrator's full accountability; (c) involvement of the specialized agencies of the United Nations wherever feasible and desirable; (d) the shift from a project to a programme approach; and (e) increased decentralization to support development of national capacity.

INTRODUCTION

1. At its thirty-seventh session (1990), the Governing Council adopted three interrelated decisions which, taken together, constitute a legislative and policy framework for the United Nations Development Programme (UNDP) for the 1990s. These decisions include decision 90/21 on national execution; 90/26 on successor arrangements to agency support costs; and 90/34 on the fifth programming cycle.

2. Based on this framework, the Administrator has been requested to present a set of comprehensive and detailed proposals to the Governing Council at its thirty-eighth session on the implementation of these decisions. The present report will deal with the significant issues relating to national execution but should be considered in the context of the overall policy package, which will include, inter alia, proposals arising from the new support cost system as well as innovations such as the programme approach. References will be made to those proposals.

3. The present report will provide the proposals requested by the Governing Council. It will identify the comprehensive policy considerations which guide the proposals. It will, in doing so, briefly review past experience and legislation and derive lessons for future action.

I. REVIEW OF LEGISLATION AND EXPERIENCE

4. National execution is an evolving concept. In the 15 years since its introduction in 1976, concept and practice have changed and developed continuously. The purposes for which national execution has been used have covered a wide spectrum, including such factors as an assertion by the government of ownership and managerial control, administrative convenience, or the opportunity to mobilize cost-sharing resources. With the discovery of new uses and applications, national execution has grown steadily - from slow beginnings in the late 1970s, to almost 15.5 per cent of all new approvals in the fourth programming cycle.

5. Legislation and experience have evolved side by side. As operational experience with various areas of applications has accumulated, the Governing Council has established new legislation to deal with unintended and unforeseen problems of implementation. New legislation, on the other hand, has led to new opportunities and fresh experience. And the process has gone on.

6. The history of national execution can be divided into three periods, roughly coinciding with the second, third and fourth programming cycles of UNDP. The highlights of those years are given below, followed by the indications of the fifth programming cycle.

A. Second programming cycle: 1977-1981

7. The main stages in this period were:

(a) Government execution was introduced in 1976 as part of the new dimensions legislation; growth was slow;

(b) The Governing Council has continued to request the Administrator to make proposals for achieving increases in the pace of government execution;

(c) Concern in the early years was over UNDP requirements, particularly financial, which were considered burdensome for Governments to comply with; the Governing Council requested simplification of procedures.

B. Third programming cycle: 1982-1986

8. In this programming cycle, the main points of interest were:

(a) The Administrator made an innovative proposal for the establishment of an add-on fund, which could provide an incentive to Governments to undertake government execution;

(b) There was a steady increase in government execution, averaging 11 per cent of new approvals for the cycle;

(c) Growth was limited to 10 countries of concentration. Initially, the projects were generally one of a kind, administrative in nature and requiring delivery of one or two project components only. Many advanced developing countries did not adopt government execution;

(d) Several unintended consequences of government execution occurred:

(i) Governments, in many cases, found their administrative mechanisms and regulations not suited for dealing with grant technical cooperation projects. UNDP field office support was sought with a resultant significant increase in field office administrative workload;

(ii) Financial reporting was poor, leading to concern over accountability; requirements were not well understood by Governments; changes in UNDP financial procedures brought about limited improvements;

(iii) UNDP external auditors qualified UNDP accounts because of, inter alia, poor performance in financial reporting and auditing of government-executed projects;

(iv) Use of United Nations specialized agencies in government execution was limited, leading to loss of technical contribution and support by agencies.

C. Fourth programming cycle: 1987-1991

9. In the fourth programming cycle, the main elements have been:

(a) Increases in government execution continued but peaked in the early years of the cycle. There has been a stagnation, and, in some countries, a reduction in the use of the modality;

(b) Countries where the modality was concentrated increased from 10 in the third cycle to 25 in the fourth cycle, suggesting a maturation in the process;

(c) The field office role is becoming institutionalized. Programme support units using various administrative arrangements have been established to provide services to Governments;

(d) Vigorous follow-up by UNDP internal auditors with the auditing establishments in countries and the use of private auditing firms have resulted in improved performance in reporting and auditing.

D. Fifth programming cycle: 1992-1996

10. The following points are of importance for the future of national execution as UNDP enters the fifth programming cycle:

(a) New legislation contained in General Assembly resolution 44/211 and Governing Council decisions 90/26 and 90/21, has established new instruments, the use of which may make national execution more effective. In addition, the promotion of national execution has become an important legislative priority.

(b) A coherently programmed expansion requires strong support from the United Nations system (both technical and administrative) as well as the creation and strengthening of capacities and the removal of administrative blockages and constraints. It calls for a shift from a project-by-project approach to a more comprehensive programme orientation.

II. A FRAMEWORK FOR NATIONAL EXECUTION

11. A review of the legislation, particularly General Assembly resolution 44/211 and Governing Council decision 90/21, shows that the governing bodies have had two principal aims in promoting national execution:

(a) To ensure that "recipient Governments have sole responsibility for the coordination of external assistance and the principal responsibility for its design and management", recognizing that "the exercise of those responsibilities is crucial to the optimal use of external assistance".

(b) To make full utilization of and to strengthen national capacities in order to promote self-reliance and sustainability.

12. In fact, the legislative intent which underlay the original new dimensions legislation was to promote self-reliance on the part of recipient governments and to help them assert and assume management and direction of externally funded development projects.

13. It is clear, therefore, that, as seen by the legislators, execution is a broad concept. It connotes the assumption of responsibility for programmes and projects and for their ownership, direction and management. It applies to all stages of the programme and project cycle, including upstream as well as downstream activities.

14. In translating legislative aspirations to operational experience, governments and the United Nations system have tended to focus on the implementation end of the project cycle. This operational concentration has resulted in setting up a dichotomy between government implementation and implementation by United Nations specialized agencies, making one a substitute for the other. Thus, in government-executed projects, it has denied governments and UNDP the technical resources of the United Nations specialized agencies at various stages of the project cycle. That is to say, it has restricted choice to one between use of a United Nations specialized agency or a government unit as an implementing agency.

15. It is in recognition of the broader dimensions of this issue that the Administrator proposed to the Council in his report on national execution (DP/1990/33) (as the Council noted in decision 90/21) that the official definition of national execution be revised and that a distinction between execution and implementation be drawn. The latter refers to that stage of the project cycle at which project inputs are procured and delivered, a project workplan is put into action and outputs produced, while the former is a broader concept embodying responsibility and management at all stages of the project cycle.

16. A broader framework, made possible by this conceptual change, is essential for the further development of national execution in the fifth programming cycle. This broader framework must:

(a) Identify and create or strengthen national capacities in various aspects of the execution of externally assisted development projects; and

(b) Ensure the availability to governments of United Nations system technical services at the various stages of the programme and project cycle;

(c) Accommodate the concept of choice for governments in designing implementation modalities under national execution;

(d) The national execution of programmes/projects will be enlarged and made more effective by the achievement of the above.

17. The policy of UNDP with respect to national execution, as it has emerged from the foregoing process, is as follows:

(a) UNDP will implement faithfully, and with full commitment, the provisions of the applicable legislation cited above;

(b) The application will be country-specific; the government shall be the principal agent in determining the speed and manner of implementation, taking into account UNDP assessment of national capacity required to undertake the responsibilities involved;

(c) The use and/or strengthening of existing national capacities for execution and implementation will be fully supported by making available the technical capacity of the United Nations system, in particular, through the facilities being established under the support cost successor arrangements;

(d) UNDP will facilitate the availability of United Nations system inputs and services (managerial, technical policy, advisory, etc.) at the various stages of the programme/project cycle;

(e) UNDP will facilitate the exercise of choice by governments in designing implementation methods for solving the development problem concerned;

(f) The mobilization of managerial capacity, either from within the country or from outside, for the effective management and implementation of the programmes/projects will be fully supported;

(g) In order to establish the required capacity for a transitionary period and when requested to do so, the managerial and administrative capabilities of the UNDP field office may be made available, in an appropriate manner, to the national units that may need them.

18. In implementing this policy, UNDP will be guided by the wishes of the government concerned and will pay due regard to the accountability of the Administrator for programme quality, relevance and impact as well as to the essential need for rigorous financial management and reporting.

III. STRENGTHENING NATIONAL CAPACITY FOR SELF-RELIANCE

19. In order to sustain the contribution of national execution to strengthening national capacity, in the context of the emergence of new concepts, a re-examination of the methods by which growth has been achieved provides many important lessons to guide future action.

20. As pointed out in section I, in the early years, countries wishing to introduce government execution in their programmes did so initially with one or two isolated, small projects. These projects were usually of an administrative nature involving one or two project components only. Such experimentation was expected to provide sufficient experience, based on which progressively enlarged use of national execution could be made over a period of time. While this incremental approach has been effective in some countries, some lessons of experience are now clear. These lessons affect

national execution and the consequent implementation actions which the modality engenders. They are:

(a) UNDP experience with the modality of national execution over the past 15 years has generally been acquired on a project-by-project basis. Although capacity-strengthening has occurred through UNDP support, this approach did not easily permit the development of a comprehensive view of national capacity, its constraints and its strengths. Capacity assessment was predicated on the needs of individual projects, and rarely was a sector-wide or programme-level assessment undertaken. Sometimes, within the same sector, differing capacity assessments have led to differing responses;

(b) Experimentation with one or two projects has usually not provided the basis on which national execution could be expanded in a country. Attempts to do so, without the necessary support - technical and administrative - have inevitably limited their effectiveness;

(c) Further, this approach made the development of a national capacity for administrative management of UNDP-financed projects relatively unattractive. The many different patterns of finance and administration within governments did not lend themselves easily to the integration of United Nations financial and audit requirements. Although these have now been greatly simplified and attuned to national needs, it still remains more attractive, in some cases, for external agents to handle some aspects of execution and implementation;

(d) As they were one-time projects, the host institutions were not geared to provide the services required for implementation. As a consequence, the UNDP field office became responsible for carrying out the projects. The experience gained by the institutions themselves was, therefore, limited.

21. A review of experience has shown that national execution cannot be expanded through a project approach alone. To ensure that projects and programmes are nationally managed in an integrated manner, a suitable pattern of national execution in response to each country's needs must be developed in collaboration with the government. In determining each country's needs, a realistic assessment of capacity for policy-making, for programme and project formulation, implementation, monitoring and evaluation and follow-up is called for. At its simplest level, this type of analysis is not new - indeed, most technical cooperation project designs are based on some assessment of an organization's strengths and weaknesses. The essential difference to be recognized is the need to shift the concern to a more holistic view of the organization, its role in the sector concerned and its capacity to deal with multisectoral linkages. This approach will also strengthen the coordination role of governments as they seek to integrate national and external capacities to achieve programme goals. In doing so, all issues of execution should be addressed comprehensively, including such subjects as the infrastructural support needed at the central and sectoral levels; the need to adapt and harmonize governmental and United Nations system procedures; and the identification of administrative blockages and constraints.

Proposals

22. Some proposals for strengthening national capacity for self-reliance are given in the following paragraphs.

23. The introduction or expansion of national execution in a country at the programme level should begin with a comprehensive discussion with the government on the sectors or intersectoral programmes in which national execution would be introduced. An understanding should be reached on the capacities for execution available in those areas, including the need for strengthening such capacities. In this context, it should be pointed out, as stated in paragraph 2 of decision 90/21, that the existence of capacity in all aspects of the project cycle is not a prerequisite for the introduction of national execution. In this context, it should be noted that the national technical cooperation assessments and programmes (NATCAP) exercise is designed to produce, as one of its outputs, such an assessment of capacities. The United Nations specialized agencies can also be helpful in this process in their sectors of competence.

24. At the country level, the government will be briefed, at the appropriate level, of the range of choices available to it throughout the programming cycle. In doing so, as called for in paragraph 6 of decision 90/21, the capacities available within the United Nations system will be brought to the attention of the government. This will be achieved at many levels; for example, directly to governments through the resident coordinators, through the workshops conducted by the training course of the International Labour Organisation (ILO) in Turin and by the specialized agencies themselves.

25. UNDP will also help in mobilizing capacity available in the country to support the national execution of programmes and projects. One of the critical capacities needed is managerial and UNDP may well be called on to assist in obtaining managerial services from outside the government, which may not be otherwise available. UNDP can assist particularly in setting up the appropriate management structure to support and execute the programmes. In this context, and with reference to add-on funds, reference is made to paragraph 12 of Governing Council decision 90/26, in which the Council decided that "resources saved by not having to compensate external agents would be available for use within the country programme in accordance with national priorities and taking into account the desire to promote the development of national capacity". Therefore, with the introduction of the support cost successor arrangements, the add-on concept will apply only to those projects approved before 1 January 1992. With regard to new projects, the operational and administrative costs associated with any external agents providing services to governments will be a charge to the 10 per cent IPF sub-line. Such support would be provided in the form of a project, and thereby be requested and approved by the government. The Administrator intends to develop guidelines that will elaborate UNDP policies with regard to the use of such projects.

IV. NATIONAL EXECUTION AND THE PROGRAMME APPROACH

26. In paragraph 4 (a) of decision 90/21, the Governing Council requested the Administrator to make proposals to the Council for "assisting recipient governments to build up ... capacities, taking into account the need for more programme-oriented mechanisms for the provision of technical co-operation, with a view to allowing more flexible and effective support of national programmes."

27. The concepts of the programme approach and national execution are related. Equally related are the concepts of decentralization and delegation of authority, which are essential to ensure responsiveness to national requirements and cost-effectiveness. The proposals of the Administrator in this regard are contained in the comments on the management consultants' report (DP/1991/51). It is argued in the present report that national execution is a broad concept covering upstream and downstream activities and implies national direction and management of the process. The programme approach refers in the main to national programmes. A programme approach is undertaken by a government when it has: (a) established a clear national development objective; (b) made a national commitment to achieve that goal within a specified time frame; and (c) resolved to address comprehensively all the issues and strategies needed to reach that objective. There is a complementarity between national execution and the adoption of a national programme approach because both are national in scope, carried out under national direction and dealt with at the level of the programme. The latter is carried out more effectively under national execution than under any other modality.

28. UNDP will play a supportive role to the government, along with its technical partner agencies, in both of these exercises. It will do so by lending support to the formulation of national programme strategies and programmes, assisting in the management of the programme and helping to mobilize external resources for the execution of the programme.

Proposals

29. UNDP has identified several mechanisms by which a programme approach on the part of a government can be supported. Some of these coincide with the proposals advanced in support of national execution. They include:

(a) Assistance in the formulation of sectoral programmes, jointly with the relevant United Nations specialized agencies, and provide policy advice, possibly by utilising the technical support facility (TSS-1) at the programme level;

(b) Assistance in the management of national programmes by mobilizing managerial resources nationally and internationally for them;

(c) Assistance in the mobilization of financial resources and the strengthened coordination of programme;

(d) Full support to a significant range of technical cooperation needs for institutional strengthening in order to achieve programme goals, through direct support to the programme.

V. STREAMLINING IMPLEMENTATION

30. The successful achievement of the policy goals laid down by the Governing Council also requires that attention be paid to the implementation aspects of the programmes and projects which are nationally executed. The policy recognizes that under national execution, while responsibility for execution is uniquely that of the governments, implementation will utilize a broad range of national, international and multilateral institutions to achieve development goals.

31. Thus, a review should be made by UNDP of the essential governmental procedures and systems, bearing in mind the UNDP requirements, particularly in relation to the Administrator's accountability, with a view to establishing a mutually acceptable and consistent set of procedures and systems which would govern nationally executed programmes and projects in a country. The domestic areas to be covered should include:

(a) Procurement of inputs (equipment and services), both local and international;

(b) Recruitment and administration of personnel, both national and expatriate;

(c) Financial systems, including the operation of foreign currency bank accounts, the disbursement of funds, financial certification and reporting;

(d) Monitoring, evaluation and reporting systems; and

(e) Auditing arrangements.

32. It is not, therefore, only the role of the UNDP in general, but also that of its field offices, in supporting national implementation that must be explicitly considered; agreement must also be reached on the services to be provided by UNDP and the means of financing those services. The role of the Office for Project Services (OPS) in this effort should also be considered.

33. Depending on the scale of operations and country requirements, the need for a central government programme support unit to provide administrative and procurement services to individual projects should be considered. In doing so, such important factors as its location, source of financing and legal status should be taken into account.

34. An effort should be undertaken to identify domestic blockages and administrative constraints which have hampered implementation in the past, not only for UNDP-financed projects but for other foreign-assisted projects as

well. The relevant United Nations agencies such as the United Nations Department for Technical Cooperation for Development (UNDTCD) could be associated with this effort. A typical example relates to the flow of financial information and reporting in the government and its consequences for continued resource availability for development. The transfer of financial information from an implementing agency in the government through a coordinating ministry and central bank to the external donor organization has resulted in significant delays in reporting and also, therefore, in receiving reimbursements. A systematic study of the internal financial flows and information, assisted by a competent agency, could result in significant improvements in the capacity to handle financial reporting.

35. Finally, the involvement of the United Nations specialized agencies in an assessment of national implementation capacities in priority sectors and in a programme of strengthening such capacities should be worked out.

VI. THE ROLE OF UNITED NATIONS SPECIALIZED AGENCIES IN NATIONAL EXECUTION

36. From the discussion of the previous issues, it would appear that a major challenge in enlarging national execution in the 1990s and achieving its legislative promise lies in the effective use and association of the United Nations system capacities - those of UNDP and the United Nations specialized agencies - in nationally executed programmes. The experience of the last 15 years has not been encouraging in this respect. United Nations specialized agencies have been used only to a very limited extent in national execution. Although certain procedures had been devised to facilitate their participation (such as their use as an associated agency, the possibility of obtaining technical services on an ad hoc basis, etc.), these measures have not been fully effective. It is also recognized that the lack of a suitable formula for the reimbursement of costs to agencies may have reduced their involvement in nationally implemented projects.

37. It is also important to recognize that during this period, many changes have taken place which require a careful country-by-country analysis. New implementation agents have appeared on the international development scene: non-governmental organizations (NGOs), private sector firms and national institutions, public and private. The changes notwithstanding, the demand for building capacity at various levels is not only different from that related to projects but also far exceeds the supply available. There is, therefore, a significant continuing role for United Nations specialized agencies at both the upstream and, where appropriate, at the downstream level.

38. In addition, the technical monitoring and evaluation of nationally implemented projects has to be assured through the involvement of the technical partners of UNDP so that substantive programme accountability is also rendered complete.

39. It is in this context that the instrumentalities established by the Governing Council through its decision on successor arrangements to agency support costs could provide a powerful opportunity for enhancing the technical role of the specialized agencies in national execution as well as in transferring to the government their accumulated experience in the execution of programmes and the implementation of projects.

Proposals

40. Some proposals concerning this issue are given in the following paragraphs.

41. The primary substantive involvement of the specialized agencies in national execution should be at the programme level. This could take the following forms:

(a) As stated earlier, agencies should help make assessments of national capacities for execution in their sectors of competence. They could further help to identify and assess national institutions which could be used in a technical capacity or as implementing agents in nationally executed projects;

(b) At the sectoral level, agencies can assist in formulating sectoral strategies and programmes through the technical support facility (TSS-1) being established at the programme level. Such efforts would enhance national execution, broadly defined, in upstream activities.

42. The role of agencies in launching national execution in a country is described in paragraphs 36-39. In order to perform this vital function, it is suggested that a multi-agency effort, led by UNDP, be organized. The purpose of this effort would be as follows:

(a) To carry out, at the request of the government concerned, the required interdisciplinary studies at the country level. Such studies would include identifying areas where national capacities need strengthening as well as conducting surveys of national institutions as potential participants in the national implementation of projects;

(b) To participate in an analysis of the administrative and technical capacities and the blockages which exist in making effective use of such capacities in the sectoral ministries and other organs of the government;

(c) To assist in organizing training programmes in the execution and management of development programmes. The ILO Turin Centre is a good example of this service.

43. In order to carry out the above, consideration may be given to the establishment of an inter-agency facility for the creation and enhancement of national capacities for national execution and the management of development programmes.

44. At the project level, the establishment of a technical facility (TSS-2) as part of the successor arrangements for, inter alia, the technical monitoring of nationally implemented projects, will help enhance the technical quality of implementation.

VII. ACCOUNTABILITY

45. The evaluation of nationally executed projects, conducted by UNDP in 1988, drew attention to the lack of systematic monitoring, evaluation and reporting on programme performance. There is evidence that the situation has been improving. However, there is more to be done in this regard, especially if the modality is to grow further.

46. On the substantive monitoring of projects, UNDP has helped establish a monitoring and evaluation capacity in several countries for nationally implemented projects. Such efforts should continue.

47. Concern in the Governing Council over the accountability of the Administrator for the effective use of resources and quality of implementation has been increasing, particularly because of poor performance in the auditing and reporting of projects. In its decision 90/21, the Council has again requested the Administrator to "take all measures to maintain his accountability and continue to apply ... accepted standards of accountability normally applying to the programmes ... of UNDP".

48. It should be reported that, as a result of vigorous follow-up by the internal auditors of UNDP, compliance with auditing requirements was satisfied in over 80 per cent of the reported programme expenditures for 1989. This was made possible by seminars held by UNDP with the Auditors-Generals of the countries who are large users of national execution. In addition, private auditing firms were used when requested by the governments concerned. The relative success achieved is confirmation of the effectiveness of dealing with this issue at the country level, rather than on a project-by-project basis. Furthermore, a more integrated accounting system which will facilitate improved and more timely reporting is currently being tested.

Proposals

49. The following proposals are offered:

(a) Continue efforts to achieve improvements in substantive accountability through the training and development of national monitoring capacity. Such efforts should be supplemented with attention to the performance of fulfilling current requirements for evaluation and reporting;

(b) Continue efforts to achieve improvements in auditing and financial reporting. Such efforts should be part of the comprehensive efforts necessary for the initial launching of national execution in a country, as suggested in paragraph 23 above;

(c) Utilize the TSS-2 facility to enhance agency technical monitoring of projects.

VIII. CONCLUSION

50. The concept of national execution is a reaffirmation of the fundamental principle that development is a national process to which the international community may contribute. Hence, sustained attention and action by both the recipient governments and the international community is critical.